

News

ARIZONA Department of Revenue

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Contact Jeffrey Kros
Legislative Liaison & Public Info Officer
602/542-3970

FOR IMMEDIATE RELEASE

ADOR Begins Refund Process

The Arizona Department of Revenue is beginning to notify more than 600,000 taxpayers that they may be eligible for a refund.

The refunds stem from income taxes paid on dividends received from out of state corporations in the late 1980s. An Arizona law exempted dividends from income tax if the corporation paying the dividend did 50% or more of their business within Arizona. Arizona repealed the law in 1990. The court later certified a class and ruled that the law violated the commerce clause of the United States Constitution. Judge Paul Katz gave preliminary approval of a proposed settlement agreement on September 23, 2002.

The Department of Revenue will send notification to all the known class members by November 5, 2002. Taxpayers who do not receive the notice and believe they are members of the class must file a claim form to the Department of Revenue by January 30, 2003 to share in the refunds. The claim form and instructions will be available on November 6, 2002. The form will be available on the Internet at

www.dividendrefundsclassaction.com, www.dividendrefundclassaction.com,

or www.revenue.state.az.us. Taxpayers may pick up the form at any office of the Department of Revenue after November 6, 2002 or by calling (602) 542-0700.

Taxpayers who wish to be excluded from the class action so they can pursue their own claims must send a written request to Exclusion Request, P.O. Box 449, Phoenix, Arizona 85001-0449. The written request must be postmarked by December 2, 2002. For information, call (866) 595-3066.

Judge Katz has scheduled a fairness hearing for December 16, 2002. Class members, or their appointed counsel, will be able to express their concerns or comments about the fairness and reasonableness of the proposed settlement during the hearing. Any class member who wishes to participate at the hearing must file a request with the Clerk of the Court by December 11, 2002. Specific instructions for filing a request are available at the Internet sites listed above.

During the spring of 2003, the Department of Revenue will begin sending class members notices listing the amount of dividend income on which the class member paid state income tax. The notice will also list the taxable income and income tax paid by the class member. The class member will have 45 days to dispute the amounts if they believe the Department's records are incorrect.

Under the settlement agreement, the state will pay up to \$350 million over the next 4 years. This cap includes the state's cost to administer the refund program as well as the attorney's fees.

The first refund payments, approximately 50% of the total refund amount, will be issued in late summer or early fall of 2004. The second

installment of approximately 25% is scheduled for July of 2005 and the final installment is scheduled for July of 2006.

Copies of the Court approved formal notice and the complete Stipulation of Settlement will soon be available on the Internet at www.dividendrefundsclassaction.com, www.dividendrefundclassaction.com, or www.revenue.state.az.us. For additional information, contact Class Counsel at Dividend Refund Class Action, P.O. Box 1328, Phoenix, Arizona 85001-1328; (866) 595-3066 or Arizona Department of Revenue; P.O. Box 29099, Phoenix, Arizona 85038-9099, (602)542-0700.